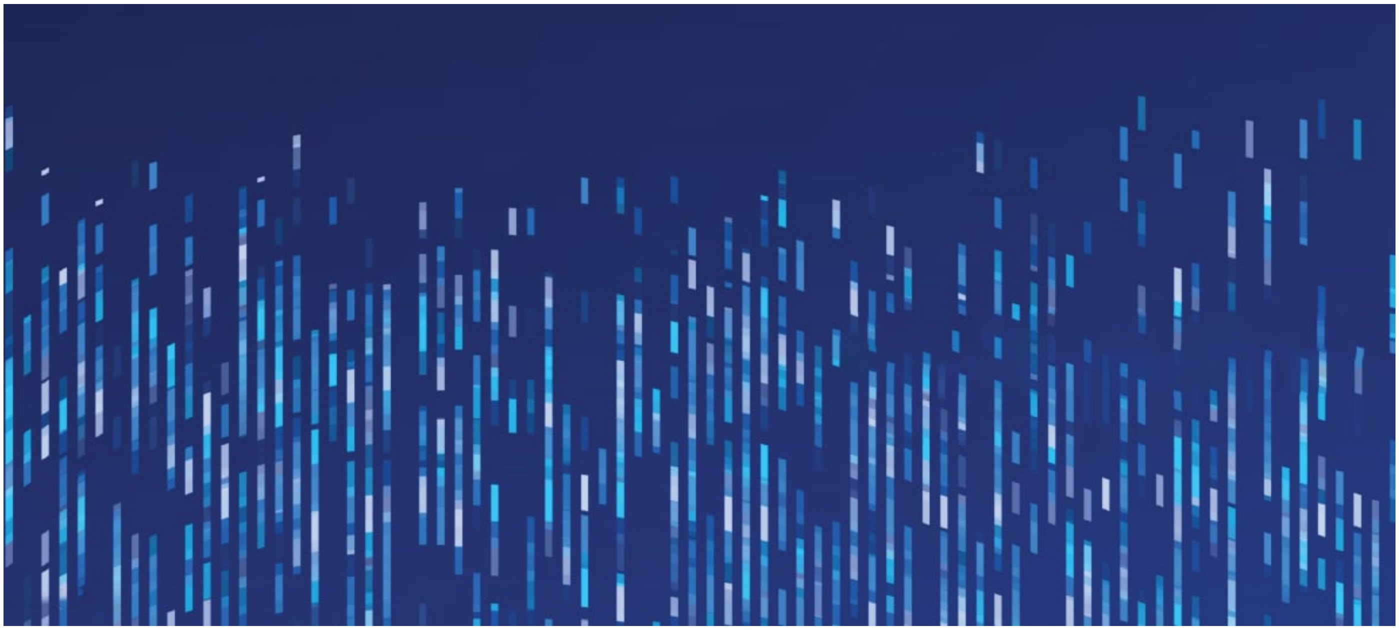

Capital Bytes – November 11, 2022

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Capital Bytes: Will Layoffs Finally Impact Unemployment Data?

The Federal Reserve finally acknowledged (in writing) the fact that the data-represented effects of interest rates can dramatically lag what's going on in Main Street America. One of its key datasets is the monthly employment situation data published by the Bureau of Labor Statistics (BLS). Not only is this critical jobs data laggy in general, it's also a bit nuanced in the way it's calculated. The BLS' method of calculation has evolved over the more than 100 years it's been disseminating employment statistics. These days, the BLS captures multimodal data from the Current Employment Statistics (CES) survey starting on the 12th of the month until the Monday of the week the data is released. This means that the agency only really measures the employment condition for about 10 to 16 business days and even then is gathering potentially stale data as much can change in the weeks following a company's survey submission. The BLS calculator is also broad, as it collects surveys from 85,000 different worksites, but again, it's still an incomplete sample and often has a wide margin of error and is frequently modified the following month.

The most recent report showed that total nonfarm payroll employment increased by 261,000 in October, and the unemployment rate rose to 3.7%. But the 90% confidence interval spans from roughly 150,000 to 380,000 jobs. Put simply, the real employment situation in the states has a 90% chance of falling between those two numbers; the 261,000 was really just the median. This means we are dealing with both lag and variance in real data, which could make the headlines read a little better than reality, especially in a declining economic landscape.

As the economy slows, a large number of companies have announced layoff plans. And while some have already begun, many of these soon-to-be-unemployed workers have yet to be counted in the Bureau of Labor Statistics (BLS) calculations for its labor force data. The tech sector, which was a major driving force for a strong labor market in 2021, is expected to suffer some serious occupational casualties in 2022 and beyond. According to Crunchbase's layoff tracker, the industry has already seen 52,000 workers laid off year to date, and experts see that trend accelerating going into 2023. Crunchbase noted that the sector has averaged around 1,000 layoffs per week, but saw a huge jump in the first week of November with 23 companies giving more than 7,000 people their walking papers.

Twitter's new leadership announced its plans to drop a substantial number of workers from its roster and Facebook parent Meta is now preparing to notify employees of large-scale layoffs this week. Meta employs over 87,000 people and, according to sources, could be the biggest tech mass dismissal to date. CEO Mark Zuckerberg certainly "hinted" at a massive cut in staff during a meeting at the end of June when he said, "Realistically, there are probably a bunch of people at the company who shouldn't be here." The losses in tech jobs, along with those in the auto, finance and other sectors, may finally begin to show in BLS data in the coming months. And this, along with the recent consumer price data, could all aid in slowing the Federal Reserve's hasty rate increase regime — a very welcome outcome for equity and debt markets.